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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

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89-2234

For Quarter Ended
March 31, 1992

Commission File
Number 0-9314

CHEMEX PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State of Incorporation)

83-0221517

(I.R.S. Employer I.D. No.)

One Executive Drive, Fort Lee, N.J. 07024

(Address of principal executive offices)

PROCESSED BY

MAY 22 1992

Telephone Number (201) 944-1449

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Q-Data Corp. - St. Petersburg, FL

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirement for the past 90 days.

Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock outstanding as
of May 6, 1992

(1) 8,230,360 shares, \$0.04 par value

Total No. of Pages 11 Exhibit Index located on page 11

(1) After the effect of a one for four reverse stock split and a 100% stock dividend as of April 15, 1992

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PART I -- FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

The response to this Item is submitted as a separate section of this report.

ITEM 2 MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

To date, the Company has not had any products approved for sale and has not had any sales revenue. The Company's primary sources of funds have been the proceeds from sales of its common stock in private placements, the sale of common stock purchase warrants in a rights offering to the Company's stockholders, a units offering to the public, revenue derived from contract research activities, interest income earned on temporary deposits of Company monies, the issuance of notes payable and subsequent conversion of those notes to common stock and funds received from Block Drug Company, Inc. ("Block") for the sale of Actinex and under a separate agreement with Block, funds received for certain proprietary rights for Chemex products that have been subsequently contributed to a joint venture ("Joint Venture") between the parties. These funds have been used to support the Company's research and development activities, patent application costs, human clinical trials costs, FDA regulatory filing expenses, commercialization efforts and administrative overhead.

On May 19, 1992, the Company was informed by the Food and Drug Administration ("FDA") of an approvable letter for Actinex™, a drug originally developed by Chemex. Actinex™ was acquired by Block from Chemex in June, 1990 for the treatment of actinic keratoses. The approvable letter triggers an additional milestone payment due from Block pursuant to the Actinex™ Agreement of \$1,000,000. As a result of the approvable letter, the Company expects further milestone payments in 1992 from Block for Actinex™ as follows: \$3 million upon final FDA approval and \$2 million upon first commercial sale by Block. Final FDA approval is principally contingent upon the satisfactory inspection of two manufacturing facilities by the FDA.

During the first quarter of 1992, the Company's working capital decreased by approximately \$290,000, representing the net amount of cash outlay after recording appropriate receivables from Block for revenues related to Joint Venture research and development expenses. Under the Joint Venture agreement, both parties are obligated to fund research and development equally, after the first \$3 million is contributed by Block. As of March 31, 1992, the Joint Venture has not reached this spending threshold and based on the current rate of spending, will not do so until some time in the fourth quarter of 1992. Based on the FDA approvable letter for Actinex™, the Company believes it will receive a total of \$6 million of milestone payments during 1992. Such payments will enable the Company to meet all currently anticipated funding requirements for the foreseeable future.

First Quarter 1992
Compared to
First Quarter 1991

Revenues for the first quarter of 1992 were \$466,917, an increase over the same period in 1991 of approximately \$400,000. The increase in revenue was entirely due to billings of Joint Venture research and development expenses to Block. Interest income was lower in 1992 principally due to lower interest rates in 1992.

Total research and development expenses for the first quarter of 1992 were approximately \$411,000, or \$87,000 higher than the comparable 1991 period. The increase in 1992 was due to higher Joint Venture spending during the period principally for Amlexanox, a drug that was in Phase II development during the first quarter 1992. Total general and administrative expenses for the quarter were \$374,000 as compared to \$274,000 in 1991. The increase in expenses was due to the following: payment to James Capel Incorporated of \$50,000 to retain them as financial advisors to the Company; increased rent expense of \$20,000 resulting from the relocation of the Company from Denver, Colorado to Fort Lee, New Jersey (accomplished during September 1991); higher legal fees of \$20,000 in 1992; and higher salaries of approximately \$10,000.

Consequently, total operating expenses were \$733,898 in the first quarter of 1992, an increase of \$186,000 over the comparable prior period. As a result, the net loss was approximately \$317,000 for the first quarter, or a \$.04 loss per share.

PART II -- OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

None.

ITEM 2 CHANGES IN SECURITIES

On August 27, 1991 the Company's stockholders approved a one for four reverse stock split of all authorized shares of Chemex' common stock ("Reverse Split"). The Board of Directors was authorized to implement the Reverse Split when it deemed it to be in the best interest of the Company to do so. On March 18, 1992, the Board of Directors authorized the implementation of the Reverse Split for the stockholders of record as of April 15, 1992 as well as an increase in the common stock par value from \$.01 to \$.04. Simultaneously, the Board authorized a 100% stock dividend ("Stock Dividend"), which effectively created a reverse split of the stock on a one for two basis. These transactions also affect the warrant and option holders of record as of April 15, 1992 for each warrant and option security outstanding.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5 OTHER INFORMATION

The following information was contained in press announcements released by the Company on March 25, 1992 and March 31, 1992, respectively.

March 25, 1992: The Company announced today that the Board of Directors has decided to implement a one for four reverse stock split previously approved by its stockholders. The Board of Directors has also approved a simultaneous 100% common stock dividend. Both will apply to all stockholders of record on April 15, 1992. Effectively, the Company's common stock will be reverse split on a one for two basis for all stockholders of record on April 15, 1992. Chemex also announced the recent appointment of James Capel Incorporated as financial advisors to the Company. James Capel is a prestigious banking company based in London, Paris, New York and Hong Kong.

March 31, 1992: Chemex announced today that it has filed an IND on its third drug compound. The drug compound is a non-steroidal anti-inflammatory agent. Chemex also announced that the multi-centered Phase I double blind clinical study on Amlexanox for the treatment of aphthous ulcers (canker sores) has been completed on schedule, and data is being analyzed. The preliminary analyses show that Amlexanox was safe, as it was in the Phase I study. However, treatment with the modified placebo (vehicle) alone in Phase II showed greater efficacy than the placebo (vehicle) alone in the Phase II study. Consequently, Chemex will perform a series of additional Phase II studies to determine optimum concentration and the treatment regimen to establish efficacy of Amlexanox and/or the vehicle. It is possible that Chemex may have two products where it was thought to have one; the additional product could be an over-the-counter product. The necessity of conducting additional Phase II studies will delay the filing of an NDA for Amlexanox, originally scheduled for the second quarter of 1993, by a year or more.

May 19, 1992: Chemex announced the receipt of an approvable letter from the FDA for its originally developed drug, Actinex™ is contingent upon the completion of inspection of two manufacturing sites and their acceptance and their acceptance by the FDA. Actinic keratosis is a disease state characterized by small lesions on the skin, induced by excessive exposure to the sun's rays. Current treatment of actinic keratosis is limited to one currently approved topical drug and in-office surgery.

As previously announced, Block Drug Company, Inc. ("Block") acquired Actinex™ from Chemex in June 1990. Block will market Actinex™ through Reed & Carnrick, its ethical pharmaceutical division. Under the Actinex™ agreement, Chemex received \$2 million in advance royalties in 1990 and will receive \$1 million as a milestone payment for receipt of the approvable letter. In addition, Chemex anticipates further milestone payments in 1992 upon final FDA approval and first commercial sale by Block. Chemex will also receive future royalties of Actinex™ product sales.

ITEM 6 EXHIBITS AND REPORTS ON FORM S-K

Exhibits: None.

Reports on Form S-K: None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHEMEX PHARMACEUTICALS, INC.

Date:

5/19/92

By:

Herbert H. McDade, Jr.
Chairman and Chief
Executive Officer

CHEMEX PHARMACEUTICALS, INC.

Balance Sheets

<u>Assets</u>	March 31, 1992 (Unaudited)	December 31, 1991
Current Assets:		
Cash and cash equivalents	\$950,338	\$1,037,524
Accounts Receivable	292,359	444,375
Prepaid expenses and other assets	51,357	122,191
Total current assets	1,294,054	1,604,090
Furniture, Equipment and Leasehold Improvements, at cost	370,247	323,376
Less accumulated depreciation and amortization	(281,836)	(276,871)
	88,411	46,505
Other Assets	24,383	25,371
Total Assets	\$1,406,848	\$1,675,966
<u>Liabilities and Stockholders' Equity</u>		
Current Liabilities:		
Accounts payable	\$280,824	\$264,102
Accrued severance cost	250,000	250,000
Accrued taxes payable	0	25,857
Accrued liabilities	343,156	345,407
Total current liabilities	873,980	885,366
Other long-term liabilities	4,575	4,575
Total liabilities	878,555	889,941
Stockholders' Equity		
Preferred stock, \$.01 par value. Authorized 5,000,000 shares; none outstanding	--	--
Common stock, \$.04 par value. Authorized 15,000,000 shares; outstanding 8,227,748 and 8,050,831 shares	329,110	327,472
Additional paid-in capital	39,615,243	39,557,632
Treasury stock, 1,677 and 6,225 shares	(4,610)	(4,610)
Deficit	(39,411,450)	(39,094,469)
Total Stockholders' Equity	528,293	786,025
Total Liabilities and Stockholders' Equity	\$1,406,848	\$1,675,966

See accompanying notes to financial statements.

CHEMEX PHARMACEUTICALS, INC.

Statements of Operations

	Quarter Ended March 31,	
	1992	1991
Revenues:		
Actinex Project revenue	\$27,332	\$46,000
Joint Venture Project revenue	422,947	--
Interest and dividend income	11,185	19,000
Other income	5,453	2,000
	<u>466,917</u>	<u>67,000</u>
Expenses:		
Research and Development		
Chemex proprietary	46,834	278,000
Actinex	27,332	46,000
Joint Venture	336,719	--
General and Administrative and Other:		
Operating expenses	305,497	186,000
Professional fees-Related Parties	66,895	46,000
Severance expense	--	11,000
Stock compensation expense	--	30,000
Interest and other	621	1,000
	<u>783,898</u>	<u>598,000</u>
Net loss	<u>(\$316,981)</u>	<u>(\$531,000)</u>
Net loss per common share	<u>\$ (.04)</u>	<u>\$ (.06)</u>
Average number of common and equivalent common shares outstanding	<u>8,206,394</u>	<u>8,037,500</u>

See accompanying notes to financial statements

CHEMEX PHARMACEUTICALS, INC.

Statement of Cash Flows

Three months ended
March 31,

	1992	1991
Cash Flows from Operating Activities:		
Net loss	(\$316,980)	(\$531,000)
Adjustments to reconcile net income/(loss) to cash used by operating activities:		
Depreciation and amortization	4,963	5,000
Common stock and options granted as compensation and severance	--	30,000
Common stock contributed to Employee Stock Ownership Plan	12,540	4,000
Common stock issued for payment of patent and other costs	--	--
Change in assets and liabilities:		
Decrease (increase) in receivables	152,016	42,000
Decrease (increase) in prepaid expenses and other current assets	70,834	21,000
Decrease (increase) in other assets	988	--
Increase (decrease) in accounts payable	16,722	(13,000)
Increase (decrease) in accrued severance	--	11,000
Increase (decrease) in other liabilities	(28,106)	--
Net cash used by operating activities	(87,025)	(431,000)
Cash Flows from Investing Activities:		
Capital expenditures	(46,871)	--
Net cash provided (used) by investing activities	(46,871)	--
Cash Flows from Financing Activities:		
Proceeds from exercising of stock options and common stock purchase warrants, net	46,710	5,000
Principal payments under capital lease obligation	--	--
Net cash provided by financing activities	46,710	5,000
Net increase (decrease) in cash and cash equivalents	(87,186)	(426,000)
Cash and cash equivalents at beginning of period	1,037,524	1,365,000
Cash and cash equivalents at end of period	\$950,338	\$939,000
Cash paid for interest	\$621	\$621

See accompanying notes to financial statements.

CHEMEX PHARMACEUTICALS, INC.
Notes to Financial Statements

Three Months Ended March 31, 1992 and 1991

(1) Interim Financial Statements

The balance sheet as of March 31, 1992 and the statements of operations and cash flows for the three month periods ended March 31, 1992 and 1991 were prepared by Chemex Pharmaceuticals, Inc. (the Company) without audit. In the opinion of management, all adjustments, including normal recurring adjustments necessary for the fair presentation of the financial position, results of operations, and changes in financial position for such periods, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1991. The results of operations for the period ended March 31, 1992 are not necessarily indicative of the operating results which may be expected for a full year. The balance sheet as of December 31, 1992 contains financial information taken from the audited financial statements as of that date.

(2) Actinex™ Approvable Letter

On May 19, 1992, the Company received an approvable letter from the FDA for Actinex™ triggering the next milestone payment from Block pursuant to the Actinex™ agreement of \$1 million due within 15 days of such letter. Based on receipt of the approvable letter, the Company anticipates further milestone payments in 1992 as follows: \$3 million upon final FDA approval and \$2 million upon first commercial sale of Actinex™ by Block. Final FDA approval is contingent upon the completion of the inspection of two manufacturing sites and their acceptance by the FDA.

SECURITY INDEX

<u>ITEM</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
(2)	Plan of acquisition, reorganization, arrangement, liquidation or succession	N/A
(4)	Instruments defining the rights of security holders, including indentures	N/A
(11)	Statement re computation of per share earnings	N/A
(15)	Letter re unaudited interim financial information	N/A
(18)	Letter re change in accounting principles	N/A
(19)	Previously documents not filed	N/A
(20)	Report furnished to security holders	N/A
(23)	Published report regarding matters submitted to vote of security holders	N/A
(24)	Consents of experts and counsel	N/A
(25)	Power of attorney	N/A
(28)	Additional Exhibits	N/A